

# Press Release

November 2023

## Growth drivers for the US ready-to-drink (RTD) market shift as malt-based hard seltzers reach saturation

*A maturing RTD category in the US will see volume growth moderate while value rises rapidly to reach US\$21.1bn by 2027*

**2 November 2023** - Latest findings from IWSR Drinks Market Analysis, the leader in global beverage alcohol data and insights, show that although the US RTD market was flat last year, ending a period of rapid volume growth, it rose in value by 6% due to a combination of inflation and premiumisation, reaching US\$18.2bn.

IWSR forecasts now predict a period of moderate growth for the maturing category, with volumes set to increase at a CAGR of +1% between 2022 and 2027, and value rising more rapidly to reach US\$21.1bn by 2027. This outlook is largely due to a bifurcation in the market, where malt-based seltzers are in decline, ceding volume to spirit-based hard seltzers, ready-to-drink cocktails and FABs.

The increasing maturity of RTDs in the US is also reflected by the decline in the number of new entrants: according to IWSR consumer data, the proportion of current RTD drinkers who entered the category three or more years ago has now reached 81%.

However, frequency of consumption is increasing, with 45% of RTD drinkers consuming them every week in 2023 – up from 38% in 2022.

“Volume is down but value is growing in the US RTD market,” says Marten Lodewijks, Consulting Director – Americas, at IWSR. “The price per serve of RTDs is rising, with high-strength cocktails and spirit-based hard seltzers viewed as higher-quality trade-ups, driven by demand for premium ingredients.

“RTD cocktails have become more premium and sophisticated, which is driving growth in spirit-based products.

“Meanwhile, the hard seltzer market has reached saturation point, and consumption will not see the highs of 2021 again. The declines are largely attributable to consumer fatigue, product overload, life getting back to normal after the pandemic and people consuming less alcohol in general.”

IWSR data shows that the consistent launch of new hard seltzer products generated significant growth until 2021, when a saturation of new products reduced the incremental volume of each new launch for many brand lines.

***Further significant developments in the US RTD market include:***

**RTDs gain in share of servings**

Despite the hard seltzer decline, RTDs are continuing to capture a larger slice of the total beverage alcohol (TBA) market in the US. In 2018, RTDs' share of TBA servings stood at 2.7%; by 2027, it will have reached 7.9%.

"RTDs are expected to take share of servings from beer and wine as they are increasingly consumed at outdoor events and concerts, dinner parties and during other recreational activities traditionally dominated by beer and wine," notes Lodewijks.

"Rising RTD cocktail consumption is likely to take quite a bit of share from spirits, but spirits' share of TBA servings will increase as the category's performance remains much stronger than that of RTDs in the on-trade."

Thanks to inflation, all beverage alcohol categories registered price increases in 2022, but RTDs saw the largest annual rise – just over 6% – as the category continues to premiumise.

**NPD focuses on premiumisation cues**

This premiumisation trend is manifesting itself in a number of ways, including a new focus on spirit-based RTDs, fuller flavours and higher ABVs.

"Premiumisation makes investment in RTDs attractive," says Chris Budzik, Market Analyst, IWSR. "This increasing emphasis on value could occur both within sub-categories – such as a shift from malt-based hard seltzers to higher-priced spirit-based alternatives – and across different sub-categories, getting consumers to transition from FABs to cocktails/long drinks."

The shift in the market has led to increased NPD activity within the cocktail/long drinks space, but in the context of slowing innovation overall. New cocktails and long drinks are now launching at almost three times the rate of hard seltzers, accounting for more than 60% of RTD launches in the first half of 2023.

Meanwhile, most new product launches in the RTD space have a mid-range ABV, of 3.0-5%, but high-ABV innovation is accelerating: new products over 7.5% ABV now account for more than 30% of NPD, with 25% of those launches sitting at 20% ABV or higher.

**Agave gains in popularity as an RTD spirit base**

Although vodka remains the most popular RTD spirit base, agave is gaining fast: 41% of consumers name tequila as their favourite RTD base, up from 35% in 2022; among LDA Gen Z RTD consumers, the figure is 60%. This is mirrored in the overall spirits market as well:

volumes of agave-based spirits increased by +12% in 2022, and are forecast to grow by volume CAGR of +11%, 2022-27.

“The flavour profile of agave plays well in both full-strength cocktails and light, refreshing hard seltzers,” says Budzik. “A convergence of taste, convenience and consumer appeal means agave-based RTD products are in prime position to continue to carve out a significant niche in the RTD landscape.”

### **The on-trade increasingly embraces RTDs**

Retail remains the dominant channel for RTDs – accounting for 88% of recent consumer purchases – but the on-trade is showing signs of growth, with 39% of consumers buying RTDs in the channel in 2023, up from 35% a year ago.

LDA Gen Z consumers buy RTDs in bars and restaurants more than any other age group, and the increasingly significant cocktails/long drinks segment is more closely correlated with on-trade occasions.

“The data suggests that there is strong potential for RTDs to continue to grow in the on-premise, giving brand owners an opportunity to expand away from saturated retail channels,” says Lodewijks.

### **RTS leans to premium-and-above price segments**

Launches of ready-to-serve (RTS) products have decreased in the first half of 2023 compared to 2022 – and sales volumes have also declined over the past two years. Recent launches are predominantly in the premium-and-above price segments.

The sub-category is weighted heavily towards higher-ABV cocktails and long drinks – particularly pre-mixed margaritas, tropical cocktails and other classics – and offers a number of formats to suit different occasions, from 10cl single serves to shareable 75cl bottles.

### **Note to editors**

IWSR defines eight sub-categories of ready-to-drink (RTD) products:

- **Cocktails/long drinks** Drinks that reflect well-known cocktails (mojito, negroni, mule, cosmopolitan) as well as common mixed drinks containing a base spirit and a non-alcoholic mixer (for example, gin and tonic or vodka and soda), where the base alcohol is clearly identified.
- **Hard seltzers** Composed of a blend of carbonated water and alcohol, in some cases with added fruit flavour; typically malt-based but can also be wine- or spirit-based. In contrast to long drinks, the alcohol base is not defined.
- **Hard coffees** Alcoholic coffee drinks; can be cold-brewed or creamy.
- **Hard teas** Alcoholic tea drinks.
- **Hard kombuchas** Alcoholic fermented drinks made with sweetened black or green tea; often blended with natural juice.

- **Wine spritzers/coolers** Drinks that mix wine with carbonated water or sodas, or fruit juices.
- **Flavoured alcoholic beverages (FABs)** This sub-category covers all other RTDs, including the likes of Smirnoff Ice and Bacardí Breezers, as well as local brands.
- **Ready-to-Serve (RTS)** Drinks in the cocktails/long drinks sub-category that contain 10% ABV or more and are offered in larger formats (500ml+) designed for sharing.

**\*\*END\*\***

Press contact: [press@theiwsr.com](mailto:press@theiwsr.com)

Other enquiries: [enquiries@theiwsr.com](mailto:enquiries@theiwsr.com)

### **About IWSR Drinks Market Analysis**

IWSR is the leading source of data and insight on the global beverage alcohol market. The IWSR database, essential to the industry, quantifies the global market of wine, spirits, beer, cider, RTDs (ready-to-drink), and no/low-alcohol products, by volume and value in over 160 countries, and provides insight into short- and long-term trends, including five-year volume and value forecasts, as well as consumer behaviour.

IWSR tracks overall consumption and trends at brand, price segment, channel, and subcategory level. Our data is used by the major international wine, spirits and beer companies, as well as financial and beverage-alcohol market suppliers.

IWSR's unique methodology allows us to get closer to what is actually consumed and better understand how markets work. IWSR boasts a team of global analysts, each of whom is equipped with local market expertise and an expansive network of on-the-ground industry contacts. Our analysts meet and speak with their industry contacts throughout the year to capture local insight, key market trends, and the 'why' behind the numbers.